

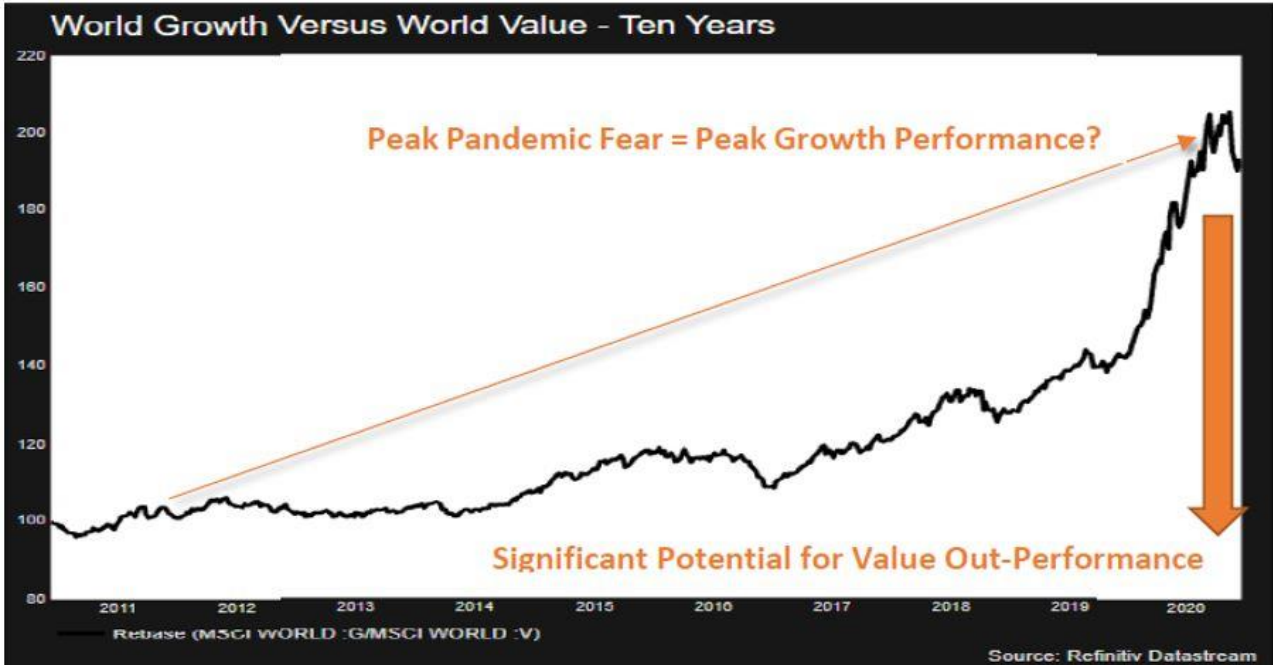
It's (not) the Economy, Stupid

During November, Global Equity markets enjoyed their best month in over thirty years, rising 9.7%. Value Stocks drove this rally, rising 11.8% whilst Growth Stocks lagged, up 7.9%*. The release of positive Vaccine news was the primary catalyst for this rally. The Appian Equity funds significantly outperformed during the month with the Dividend Growth Fund rising 18.5% and the Smaller Companies Fund rising 20.6%. This brings forward the question, where do we go from here?

We enter 2021 with an economy that has the potential to boom if vaccine rollouts are successful. Monetary and Fiscal support remains in place and improving consumer confidence should unleash significant pent-up demand. Many would put this forward as a reason to be bullish on Equities but this thinking may be too simplistic as it fails to recognise that the stock market is **not** the economy. Those who believe that a great economy means a great stock market should remember 1994 when the US produced its best economic growth in a decade, and yet delivered negative Equity returns as Bond yields rose/the Bond market crashed.

Today the stock market is as polarised as we've ever seen. Growth stocks and stocks with Bond-like characteristics are as expensive as they have ever been. Along with Bonds, these stocks have seen their valuations continually propelled higher due to worries over economic growth and muted inflation. These parts of the Equity market have become bets against economic growth. Conversely, Equities correlated to the Economy have seen their valuations remain at all-time lows. This is the Value part of the Equity market today. So a strengthening Economy has the potential to be a significant tailwind for Value stocks which can move significantly higher from here given their depressed valuations. However, this doesn't mean broader Equity Indices move higher. An improving Economy negates a key reason why Investors have been holding Growth stocks and so called "Bond proxies" at a time where they are priced for perfection.

We don't know for sure what 2021 will bring, but believe the performance during November may signal that the long awaited rotation from Growth into Value has begun. A better economy is undoubtedly positive for the Value part of the Equity market today but what we don't know is how bad it may be for the Growth part of the market. Take a look at the chart and decide for yourself.



*Source: Refinitiv Eikon

Appian AM NAV's Fund Prices 30-11-2020

NAV		MTD	QTD	YTD	SI
		%	%	%	%
AMAF	152.8781	6.77%	5.35%	-3.94%	52.88%
AGDGF	190.6874	18.83%	15.56%	-11.05%	90.69%
AGSCOF	181.0015	20.60%	18.43%	-3.34%	81.00%
AIF	114.4186	7.69%	6.00%	3.31%	14.42%
AELF	103.1699	-	-	-0.53%	3.17%

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 Directors: Eugene McCague, Patrick J Lawless, Kevin Menton, Enda McKenna, Pat Cox, Greg M Lawless, Patrick A. (Tony) McArdle
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Warnings

- **If you invest in any of the funds you may lose some or all of the money you invest.**
- **Past performance is not a reliable guide to future performance.**
- **Appian Funds may be affected by changes in currency exchange rates**
- **The value of your investment may go down as well as up.**

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